

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administrative Cabinet

Honorable Melanie J. Roberts, Bullitt County Judge/Executive

Members of the Bullitt County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Bullitt County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY FISCAL COURT

June 30, 2011

Tichenor & Associates, LLP has completed the audit of the Bullitt County Fiscal Court for fiscal year ended June 30, 2011. We have issued unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky.

Financial Condition:

The Fiscal Court had total net assets of \$14,622,946 as of June 30, 2011. In its governmental activities, the Fiscal Court had unassigned net assets of \$2,704,675 with total net assets of \$14,484,488. In its business-type activities, total cash and cash equivalents was \$130,330 with total net assets of \$130,330. The Fiscal Court had total debt principal as of June 30, 2011 of \$24,044,038 with \$1,093,496 due within the next year.

Report Comment:

2011-01 The Fiscal Court Does Not Maintain A Capital Asset Schedule

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

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TICHENOR & ASSOCIATES, LLP

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Melanie J. Roberts, Bullitt County Judge/Executive

Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bullitt County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bullitt County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Melanie J. Roberts, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bullitt County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2011 on our consideration of Bullitt County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

2011-01 The Fiscal Court Does Not Maintain A Capital Asset Schedule

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

October 28, 2011

BULLITT COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Melanie J. Roberts	County Judge/Executive
David Walker	Magistrate
Clifford "Buddy" Shepherd	Magistrate
Ed Bleemel	Magistrate
Joe Laswell	Magistrate
Betty "Ruthie" Ashbaugh	Magistrate
Dan Kelty	Magistrate
John Bradshaw	Magistrate

Other Elected Officials:

Walt Sholar/Monica Meredith Robinson	County Attorney
Dannny Fackler/Martha Knox	Jailer
Kevin Mooney	County Clerk
Layne Abel	Circuit Court Clerk
Donnie Tinnell/ Dave Greenwell	Sheriff
Bruce Johnson	Property Valuation Administrator
Tommy Kappel/ Dave Billings	Coroner

Appointed Personnel:

Stephanie Bradley	County Treasurer
Micheal Phillips	911 Administrator
Jimmy Stivers	Road Supervisor
Lisa Craddock	Deputy Judge Executive

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BULLITT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

BULLITT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,985,938	\$ 130,330	\$ 3,116,268
Total Current Assets	2,985,938	130,330	3,116,268
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,694,475		1,694,475
Buildings	27,812,331		27,812,331
Equipment	1,128,778		1,128,778
Vehicles	1,619,926		1,619,926
Infrastructure	3,287,078		3,287,078
Total Noncurrent Assets	35,542,588		35,542,588
Total Assets	38,528,526	130,330	38,658,856
LIABILITIES			
Current Liabilities:			
Financing Obligations	1,093,496		1,093,496
Total Current Liabilities	1,093,496		1,093,496
Noncurrent Liabilities:			
Financing Obligations	22,950,542		22,950,542
Total Noncurrent Liabilities	22,950,542		22,950,542
Total Liabilities	24,044,038		24,044,038
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,498,550		11,498,550
Restricted For:			
Recreation and Culture	52		52
Roads	281,211		281,211
Unassigned	2,704,675	130,330	2,835,005
Total Net Assets	\$ 14,484,488	\$ 130,330	\$ 14,614,818

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 8,098,610	\$ 583,626	\$ 2,108,984	\$
Protection to Persons and Property	6,632,482	3,203,132	1,099,127	
General Health and Sanitation	395,880	22,058		
Social Services	57,156			
Recreation and Culture	342,472	1,537		
Roads	1,943,928		234,016	1,381,243
Bus Service	27,561			
Debt Service	1,140,856			
Capital Projects	151,143			
Total Governmental Activities	18,790,088	3,810,353	3,442,127	1,381,243
Business-type Activities:				
Jail Canteen	107,999	122,201		
Total Business-type Activities	107,999	122,201		
Total Primary Government	\$ 18,898,087	\$ 3,932,554	\$ 3,442,127	\$ 1,381,243

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Insurance Premium Tax
Telephone 911 Tax
Other Taxes

Excess Fees

Interest Earned

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (5,406,000)	\$	\$ (5,406,000)
(2,330,223)		(2,330,223)
(373,822)		(373,822)
(57,156)		(57,156)
(340,935)		(340,935)
(328,669)		(328,669)
(27,561)		(27,561)
(1,140,856)		(1,140,856)
(151,143)		(151,143)
(10,156,365)		(10,156,365)
	14,202	14,202
	14,202	14,202
(10,156,365)	14,202	(10,142,163)
3,904,163		3,904,163
199,533		199,533
672,701		672,701
2,870,549		2,870,549
302,156		302,156
888,193		888,193
294,570		294,570
40,795		40,795
1,180,443		1,180,443
10,353,103		10,353,103
196,738	14,202	210,940
14,287,750	116,128	14,403,878
\$ 14,484,488	\$ 130,330	\$ 14,614,818

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

BULLITT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Non- Major Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,704,675	\$ 281,263	\$ 2,985,938
Total Assets	<u>2,704,675</u>	<u>281,263</u>	<u>2,985,938</u>
FUND BALANCES			
Restricted For:			
Recreation and Culture		52	52
Roads		281,211	281,211
Unassigned	<u>2,704,675</u>		<u>2,704,675</u>
Total Fund Balances	<u>\$ 2,704,675</u>	<u>\$ 281,263</u>	<u>\$ 2,985,938</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 2,985,938
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	47,307,739
Accumulated Depreciation	(11,765,151)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	<u>(24,044,038)</u>
Net Assets of Governmental Activities	<u>\$ 14,484,488</u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>EMS Fund</u>
REVENUES				
Taxes	\$ 8,535,139	\$	\$	\$
Excess Fees	294,570			
Licenses and Permits	543,887			
Intergovernmental	1,821,351	1,566,308	911,885	11,009
Charges for Services	22,058		181,751	2,122,363
Miscellaneous	1,045,740	5,604	72,765	3,097
Interest	38,374			
Total Revenues	<u>12,301,119</u>	<u>1,571,912</u>	<u>1,166,401</u>	<u>2,136,469</u>
EXPENDITURES				
General Government	3,196,853			
Protection to Persons and Property	812,714		2,551,599	2,352,081
General Health and Sanitation	388,160			
Social Services	57,156			
Recreation and Culture	333,376			
Roads		1,752,219		
Bus Service	27,561			
Debt Service	879,415			
Capital Projects	144,615			
Administration	2,281,437	360,343	678,918	798,704
Total Expenditures	<u>8,121,287</u>	<u>2,112,562</u>	<u>3,230,517</u>	<u>3,150,785</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,179,832</u>	<u>(540,650)</u>	<u>(2,064,116)</u>	<u>(1,014,316)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		433,759	2,064,116	1,014,316
Transfers To Other Funds	(4,067,935)			
Total Other Financing Sources (Uses)	<u>(4,067,935)</u>	<u>433,759</u>	<u>2,064,116</u>	<u>1,014,316</u>
Net Change in Fund Balances	111,897	(106,891)		
Fund Balances - Beginning (Restated)	2,592,778	106,891		
Fund Balances - Ending	<u>\$ 2,704,675</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Capital Projects Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 302,156	\$ 8,837,295
		294,570
		543,887
1,302,506	202,188	5,815,247
	1,537	2,327,709
	117	1,127,323
	2,421	40,795
<u>1,302,506</u>	<u>508,419</u>	<u>18,986,826</u>
		3,196,853
	667,266	6,383,660
		388,160
		57,156
		333,376
	32,625	1,784,844
		27,561
1,302,506		2,181,921
6,528		151,143
	200,034	4,319,436
<u>1,309,034</u>	<u>899,925</u>	<u>18,824,110</u>
<u>(6,528)</u>	<u>(391,506)</u>	<u>162,716</u>
	555,744	4,067,935
		(4,067,935)
	<u>555,744</u>	
(6,528)	164,238	162,716
6,528	117,025	2,823,222
<u>\$ 0</u>	<u>\$ 281,263</u>	<u>\$ 2,985,938</u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BULLITT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 162,716
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	561,260
Depreciation Expense	(1,568,303)

The Issuance Of Long-Term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Financing Obligation And Bond Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions Have No Effect On Net Assets.

Financing Obligations Payments	1,041,065
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Change in Net Assets of Governmental Activities	\$ 196,738
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BULLITT COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

BULLITT COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 130,330
Total Current Assets	<u>130,330</u>
Net Assets	
Unrestricted	130,330
Total Net Assets	<u>\$ 130,330</u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BULLITT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Revenues	\$ 122,201
Total Operating Revenues	<u>122,201</u>
Operating Expenses	
Cost of goods sold and other expenses	<u>107,999</u>
Total Operating Expenses	<u>107,999</u>
Operating Income	<u>14,202</u>
Change In Net Assets	14,202
Total Net Assets - Beginning	<u>116,128</u>
Total Net Assets - Ending	<u><u>\$ 130,330</u></u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BULLITT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Receipts From Customers	\$ 122,201
Cash Payments To Vendors	(107,999)
Net Cash Provided By Operating Activities	<u>14,202</u>
Net increase in Cash and Cash Equivalents	14,202
Cash and Cash Equivalents - July 1, 2010	<u>116,128</u>
Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 130,330</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
<u>Operating Income</u>	<u>\$ 14,202</u>
Net Cash Provided By Operating Activities	<u><u>\$ 14,202</u></u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

BULLITT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	<u>Agency Fund</u>
	<u>Inmate</u>
	<u>Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 127,836
Total Assets	<u>127,836</u>
Liabilities	
Amounts Held In Custody For Others	<u>127,836</u>
Total Liabilities	<u>127,836</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The County presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences and other accruals, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bullitt County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the Fiscal Court is able to impose its will on these organizations. These organizations' balances and transactions are reported as though they are part of the County's primary government using the blending method.

Bullitt County Public Properties Corporation

The Bullitt County Public Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Bullitt County Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. The Fiscal Court is able to impose its will on the Corporation. The Corporation was created solely for the benefit of the Fiscal Court per KRS 58.180 for the purpose of construction of the County's courthouse annex and the related long-term debt service. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within Bullitt County's financial statements as the Capital Projects Fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Bullitt County 911 Emergency Telephone Service

The Bullitt County 911 Emergency Telephone Service (Service) was established to provide, maintain, and operate 911 emergency services for the citizens of Bullitt County. The Fiscal Court has the authority to appoint a voting majority of the Service's board. The Service is fiscally dependent on the Fiscal Court because the Fiscal Court sets and collects the fees for the Service. This fiscal dependency requires the Fiscal Court to include the Service as a component unit. This component unit is blended within Bullitt County's financial statements as the Emergency 911 Fund.

C. Bullitt County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Bullitt County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bullitt County, Kentucky.

Additional - Bullitt County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and modified cash basis of accounting and report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

EMS Fund - The primary purpose of this fund is to account for the emergency response expenses of the county. The primary sources of revenues are charges for ambulance runs and state grants.

Capital Projects Fund - The primary purpose of this fund is to track the construction cost and related capital lease obligations of the County's various construction projects. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Emergency 911 Fund, and the Forest Fund.

Special Revenue Funds

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, EMS Fund, Emergency 911 Fund, and Forest Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are charges to inmates for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board ("FASB") Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board ("GASB") specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the Jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the Jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen Fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund is used to account for monies held by the County for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Account Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 15,000	10-40
Buildings and Building Improvements	\$ 30,000	10-75
Machinery and Equipment	\$ 4,000	3-25
Vehicles	\$ 4,000	3-12
Infrastructure	\$ 20,000	10-50

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Capital Projects Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's deposits may not be returned. The primary government does not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2011, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Interfund Transfers

The table below shows the interfund operating transfers for fiscal year 2011.

	<u>Transfers Out</u>
	General
<u>Transfers In</u>	<u>Fund</u>
Road Fund	\$ 433,759
Jail Fund	2,064,116
EMS Fund	1,014,316
911 Fund	555,744
Total	<u>\$ 4,067,935</u>

Reason for transfers:

To move resources from the General Fund, for budgetary purposes, to the fund that will expend them.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Asset

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,694,475	\$		\$ 1,694,475
Construction In Progress				
Total Capital Assets Not Being Depreciated	<u>1,694,475</u>			<u>1,694,475</u>
Capital Assets, Being Depreciated:				
Buildings and Buildings Improvements	32,262,360	35,351		32,297,711
Machinery and Equipment	2,032,334	45,500	(260,920)	1,816,914
Vehicles	4,280,774	202,202	(81,758)	4,401,218
Infrastructure	6,476,536	620,885		7,097,421
Total Capital Assets Being Depreciated	<u>45,052,004</u>	<u>903,938</u>	<u>(342,678)</u>	<u>45,613,264</u>
Less Accumulated Depreciation For:				
Buildings and Buildings Improvements	(3,756,217)	(729,163)		(4,485,380)
Machinery and Equipment	(715,417)	(142,489)	169,770	(688,136)
Vehicles	(2,624,614)	(232,003)	75,325	(2,781,292)
Infrastructure	(3,100,601)	(709,742)		(3,810,343)
Total Accumulated Depreciation	<u>(10,196,849)</u>	<u>(1,813,397)</u>	<u>245,095</u>	<u>(11,765,151)</u>
Total Capital Assets, Being Depreciated, Net	<u>34,855,155</u>	<u>(909,459)</u>	<u>(97,583)</u>	<u>33,848,113</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,549,630</u>	<u>\$ (909,459)</u>	<u>\$ (97,583)</u>	<u>\$ 35,542,588</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 547,045
Protection to Persons and Property	383,150
General Health And Sanitation	7,720
Recreation and Culture	9,096
Roads, Including Depreciation of General Infrastructure Assets	<u>866,386</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,813,397</u></u>

Note 5. Long-term Debt

A. Detention Center

On May 18, 2000, the Fiscal Court entered into a finance lease obligation agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to borrow \$9,000,000 at a variable interest rate (4.2% at June 30, 2011) for the construction of the Bullitt County Detention Center. The Fiscal Court will pay 360 monthly installments of varying amounts in accordance with the contract. As of June 30, 2011, the outstanding principal balance was \$6,382,613. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest & Fees</u>
2012	\$ 237,000	\$ 266,815
2013	251,000	256,477
2014	266,000	245,679
2015	281,000	234,115
2016	298,000	222,273
2017-2021	1,775,000	902,834
2022-2026	2,363,000	473,385
2027-2028	<u>911,613</u>	<u>41,700</u>
Totals	<u><u>\$ 6,382,613</u></u>	<u><u>\$ 2,643,278</u></u>

B. Courthouse

On July 16, 2002, the Fiscal Court entered into a finance lease obligation agreement with the KACoLT to borrow \$4,000,000 for the construction of a new courthouse. The Fiscal Court will pay 20 annual installments of varying amounts in accordance with the contract. The principal outstanding as of June 30, 2011, was \$2,645,000. The rate in the lease was fixed at 4.20% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

B. Courthouse (Continued)

Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2012	\$ 190,000	\$ 128,928
2013	200,000	119,172
2014	205,000	109,017
2015	215,000	98,507
2016	225,000	87,495
2017-2021	1,310,000	251,199
2022	300,000	8,793
Totals	<u>\$ 2,645,000</u>	<u>\$ 803,111</u>

C. Judicial Center Refinance

On June 28, 2007 the Fiscal Court entered a financing obligation agreement with KACoLT for the purpose of funding cost over runs and change orders in the Judicial Center Project and to consolidate the debt associated with the Judicial Center. The term of the agreement is 20 years with varying principal payments due twice a year. During the year ended June 30, 2011, \$1,302,506 was paid directly to KACoLT by the AOC for the Fiscal Court's principal and interest payments under the agreement. The principal outstanding as of June 30, 2011 was \$14,421,425. The rate in the lease was fixed at 4.85% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals. Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2012	\$ 626,496	\$ 676,008
2013	657,550	644,955
2014	690,085	612,420
2015	724,276	578,230
2016	760,022	542,482
2017-2021	4,403,063	2,109,462
2022-2026	5,605,633	906,892
2027	954,300	18,332
Totals	<u>\$ 14,421,425</u>	<u>\$ 6,088,781</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

C. Judicial Center Refinance (Continued)

On June 28, 2007, the Fiscal Court entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% of the debt service requirements. The lease does not require the Fiscal Court to make any rental payments toward the project; however, the Fiscal Court is obligated to provide operation, maintenance, insurance and repair of the project.

The bonds are secured by a foreclosable first mortgage lien on the property and an assignment by the Fiscal Court of its rights, title and interest in the lease with AOC.

D. Land

On January 18, 2008, the Fiscal Court entered into a finance lease obligation agreement with KACoLT to borrow \$705,000 for the acquisition of land. The Fiscal Court will pay 15 annual installments of varying amounts in accordance with the contract. The principal outstanding as of June 30, 2011, was \$595,000. The rate in the lease was fixed at 4.258% through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the Fiscal Court through additional future rentals.

Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2012	\$ 40,000	\$ 24,503
2013	40,000	22,836
2014	45,000	21,083
2015	45,000	19,208
2016	45,000	17,335
2017-2021	260,000	55,662
2022-2023	120,000	6,072
Totals	<u>\$ 595,000</u>	<u>\$ 166,699</u>

E. Interest Rate Swaps

Certain of the Fiscal Court's leases have been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third party financial institution, whereby the third party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the Fiscal Court pays the fixed rate stated by the swap. Under the terms of lease agreements the trustee has the right to charge costs associated with the interest rate swap to the Fiscal Court through additional future rentals.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

E. Interest Rate Swaps (Continued)

The swap becomes effective on the date that the county exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercise date is equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they fall due. The swap terminates on the same date as the final principal payment is due on the respective lease.

The interest rate swaps in effect as of June 30, 2011 are as follows:

	<u>Date</u> <u>Effective</u>	<u>Termination</u> <u>Date</u>	<u>Notional</u> <u>Amount at</u> <u>June 30, 2011</u>	<u>Settlement</u> <u>Amount at</u> <u>June 30, 2011</u>
Courthouse	August 1, 2002	January 20, 2022	\$ 2,645,000	\$ 310,716
Judicial Center Refinance	June 28, 2007	March 1, 2027	14,421,425	1,806,857
Land	January 18, 2008	February 1, 2023	595,000	40,129

The settlement values above are calculated using the forward LIBOR curve, taking a percentage of that rate to estimate future SIFMA rates and are considered by the Fiscal Court to represent the fair value of the interest rate swaps at June 30, 2011. The variable rate on all of the swaps is the SIFMA index (formerly known as BMA).

The swaps expose the Fiscal Court to the following risks that could give rise to additional rentals:

Credit risk: Credit risk is the risk that the third party financial institution will not fulfill its obligations to pay the variable rate interest. All third party financial institutions party to the interest rate swaps have S&P credit quality ratings of Aa2/AA-. The value of the transaction to the Fiscal Court depends upon the third party financial institutions maintaining their perceived creditworthiness in the municipal marketplace and fulfilling their obligations under the interest rate swap agreements. Should the third party financial institutions fail to fulfill their obligations the Fiscal Court will be required to pay additional rentals for any costs associated with terminating the swap agreement, plus the costs of entering into an interest rate swap agreement with an alternative financial institution. Should an alternative agreement not be available, the Fiscal Court would be required to make payments at the variable interest rate contained within the lease.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the SIFMA Index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

E. Interest Rate Swaps (Continued)

Termination risk: Termination risk is the risk that a derivative's unscheduled end will affect the Fiscal Court's asset/liability strategy or will present the Fiscal Court with potentially significant unscheduled termination payments to the trustee. For example, the Fiscal Court relies on the interest rate swaps to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. The Fiscal Court would also be required to pay any costs associated with terminating the swap agreement.

Market access risk: Market access risk is the risk that the Fiscal Court will not be able to enter credit markets or that credit will become more costly. If the Fiscal Court is required to pay additional rentals or be required to pay higher variable rates, the Fiscal Court's credit rating could suffer and additional debt could become more expensive and more difficult to sell. The Fiscal Court may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swaps. Furthermore, if interest rates in the municipal bond market were to decrease and the Fiscal Court wanted to refinance the debt at a lower interest rate, the Fiscal Court would first have to terminate the swap agreement. When interest rate swap agreements are terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if rates have decreased to the extent that the Fiscal Court would want to refinance the debt, the Fiscal Court would be the party that would have to make a termination payment. The use of the interest rate swap agreement may limit the Fiscal Court's flexibility in managing the lease obligations going forward.

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 25,085,103	\$	\$1,041,065	\$ 24,044,038	\$ 1,093,496
Governmental Activities					
Long-term Liabilities	<u>\$ 25,085,103</u>	<u>\$ 0</u>	<u>\$1,041,065</u>	<u>\$ 24,044,038</u>	<u>\$ 1,093,496</u>

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$1,140,856 in interest on financing obligations, \$705,441 of this interest was paid directly by the State to the Kentucky Association of Counties Leasing Trust on behalf of the County on the Judicial Center project.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The contribution requirements and the amounts contributed to CERS were \$1,277,658, \$1,665,799, and \$1,557,528 respectively for the years ended June 30, 2009, 2010, and 2011.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 7. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On February 24, 2000, the Bullitt County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2011, Bullitt County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 10. Prior Period Adjustments

Net Assets - Beginning (Governmental Activities) on the Government-wide financial statements and the beginning fund balance of the General Fund in the fund financial statements was decreased by \$8,705 to restate fund balance from prior year.

Note 11. Contingencies

There are lawsuits and claims pending against the Fiscal Court which may arise during the normal course of business. The County is a defendant in lawsuits and claims arising from, among other things, wrongful termination and wrongful arrest and search. Although the aggregate amount asserted in such lawsuits and claims is potentially significant, Fiscal Court management believes that the ultimate outcome of these matters, after insurance proceeds, will not have a significant effect on the financial position or changes in financial position of the funds of the Fiscal Court.

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BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,005,000	\$ 8,005,000	\$ 8,535,139	\$ 530,139
Excess Fees	95,250	95,250	294,570	199,320
Licenses and Permits	469,500	469,500	543,887	74,387
Intergovernmental	795,000	1,925,000	1,821,351	(103,649)
Charges for Services	82,298	82,298	22,058	(60,240)
Miscellaneous	703,500	788,500	1,045,740	257,240
Interest	20,000	20,000	38,374	18,374
Total Revenues	10,170,548	11,385,548	12,301,119	915,571
EXPENDITURES				
General Government	2,308,490	3,196,853	3,196,853	
Protection to Persons and Property	743,385	812,714	812,714	
General Health and Sanitation	366,504	388,160	388,160	
Social Services	59,000	57,156	57,156	
Recreation and Culture	433,564	333,376	333,376	
Bus Service	30,000	27,561	27,561	
Debt Service	879,415	879,415	879,415	
Capital Projects	5,400	144,615	144,615	
Administration	2,639,982	3,044,762	2,281,437	763,325
Total Expenditures	7,465,740	8,884,612	8,121,287	763,325
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	2,704,808	2,500,936	4,179,832	1,678,896
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(3,736,808)	(3,736,808)	(4,067,935)	(331,127)
Total Other Financing Sources (Uses)	(3,736,808)	(3,736,808)	(4,067,935)	(331,127)
Net Change in Fund Balance	(1,032,000)	(1,235,872)	111,897	1,347,769
Fund Balance - Beginning (Restated)	1,032,000	2,463,445	2,592,778	129,333
Fund Balance - Ending	\$ 0	\$ 1,227,573	\$ 2,704,675	\$ 1,477,102

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,245,042	\$ 1,425,385	\$ 1,566,308	\$ 140,923
Miscellaneous	3,500	3,500	5,604	2,104
Total Revenues	1,248,542	1,428,885	1,571,912	143,027
EXPENDITURES				
Roads	1,366,984	1,752,219	1,752,219	
Administration	324,589	360,343	360,343	
Total Expenditures	1,691,573	2,112,562	2,112,562	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(443,031)	(683,677)	(540,650)	143,027
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	333,031	333,031	433,759	100,728
Total Other Financing Sources (Uses)	333,031	333,031	433,759	100,728
Net Change in Fund Balance	(110,000)	(350,646)	(106,891)	243,755
Fund Balance - Beginning	110,000		106,891	106,891
Fund Balance - Ending	\$ 0	\$ (350,646)	\$ 0	\$ 350,646

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,050,000	\$ 1,050,000	\$ 911,885	\$ (138,115)
Charges for Services	161,500	161,500	181,751	20,251
Miscellaneous	41,500	41,500	72,765	31,265
Total Revenues	1,253,000	1,253,000	1,166,401	(86,599)
EXPENDITURES				
Protection to Persons and Property	2,521,614	2,573,359	2,551,599	21,760
Administration	566,891	678,918	678,918	
Total Expenditures	3,088,505	3,252,277	3,230,517	21,760
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,835,505)	(1,999,277)	(2,064,116)	(64,839)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,835,505	1,835,505	2,064,116	228,611
Total Other Financing Sources (Uses)	1,835,505	1,835,505	2,064,116	228,611
Net Change in Fund Balance		(163,772)		163,772
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ (163,772)	\$ 0	\$ 163,772

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 11,009	\$ 1,009
Charges for Services	1,900,000	1,900,000	2,122,363	222,363
Miscellaneous	9,500	9,500	3,097	(6,403)
Total Revenues	1,919,500	1,919,500	2,136,469	216,969
EXPENDITURES				
Protection to Persons and Property	2,405,979	2,390,339	2,352,081	38,258
Administration	790,000	813,372	798,704	14,668
Total Expenditures	3,195,979	3,203,711	3,150,785	52,926
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,276,479)	(1,284,211)	(1,014,316)	269,895
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,218,479	1,218,479	1,014,316	(204,163)
Total Other Financing Sources (Uses)	1,218,479	1,218,479	1,014,316	(204,163)
Net Change in Fund Balance	(58,000)	(65,732)		65,732
Fund Balance - Beginning	58,000			
Fund Balance - Ending	\$ 0	\$ (65,732)	\$ 0	\$ 65,732

BULLITT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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BULLITT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

BULLITT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Local Government Economic Assistance Fund	Forest Fund	Emergency 911 Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 281,211	\$ 52	\$	\$ 281,263
Total Assets	<u>281,211</u>	<u>52</u>	<u></u>	<u>281,263</u>
FUND BALANCES				
Restricted For:				
Protection to Persons and Property		52		52
Roads	281,211			281,211
Total Fund Balances	<u>\$ 281,211</u>	<u>\$ 52</u>	<u>\$ 0</u>	<u>\$ 281,263</u>

The accompanying notes are an integral part of the financial statements.

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BULLITT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2011

BULLITT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Local Government Economic Assistance Fund	Forest Fund	Emergency 911 Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$	\$ 302,156	\$ 302,156
Intergovernmental	202,188			202,188
Charges for Services		1,537		1,537
Miscellaneous		100	17	117
Interest	2,411	10		2,421
Total Revenues	<u>204,599</u>	<u>1,647</u>	<u>302,173</u>	<u>508,419</u>
EXPENDITURES				
Protection to Persons and Property	7,655	1,728	657,883	667,266
Roads	32,625			32,625
Administration			200,034	200,034
Total Expenditures	<u>40,280</u>	<u>1,728</u>	<u>857,917</u>	<u>899,925</u>
Excess (Deficiency) of Revenues Expenditures Before Other Financing Sources (Uses)	<u>164,319</u>	<u>(81)</u>	<u>(555,744)</u>	<u>(391,506)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds			555,744	555,744
Total Other Financing Sources			<u>555,744</u>	<u>555,744</u>
Net Changes in Fund Balances	164,319	(81)		164,238
Fund Balances - Beginning	116,892	133		117,025
Fund Balances - Ending	<u>\$ 281,211</u>	<u>\$ 52</u>	<u>\$ 0</u>	<u>\$ 281,263</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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The Honorable Melanie J. Roberts, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 28, 2011. Bullitt County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Bullitt County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bullitt County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bullitt County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bullitt County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying comment and recommendation as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Bullitt County Judge/Executive's response to the finding identified in our audit is included in the comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

October 28, 2011

**BULLITT COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2011

**BULLITT COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2011

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY

2011-01 The Fiscal Court Does Not Maintain A Capital Asset Schedule

This is a repeat finding from the prior year. The fiscal court does not maintain a capital asset schedule.

We recommend that the fiscal court begin maintaining a schedule of capital assets. This schedule should contain the following information:

- Description of the asset.
- Cost, voucher number, and vendor name.
- Date placed into service.
- Useful life.
- Date asset retired and selling price if applicable.

We further recommend that the fiscal court review the schedule of capital assets. We noted that the fiscal court did perform an inventory and updated the capital asset schedule after the start of the audit.

County Judge/Executive Melanie Roberts Response: Currently, the Fiscal Court has an updated GASB schedule and it will be reviewed and updated as needed.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BULLITT COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2011**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Bullitt County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

